

## **On the evolution of the spatial economy with multi-unit · multi-plant firms: the impact of IT development\***

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**Abstract.** This paper examines how the decline of communication costs between management and production facilities within firms and the decrease in trade costs of manufactured goods affect the spatial organization of a two-region economy with multi-unit·multi-plant firms. The development of information technology decreases the costs of communication and trade costs. Thus, the fragmentation of firms is promoted. Our result indicates that, with decreasing communication costs, firms producing low trade-cost goods (such as electronics products) tend to concentrate their manufacturing plants in low wage countries. In contrast, firms producing high trade-cost products (such as automobiles) tend to have multiple plants serving to segmented markets, even in the absence of wage differentials.

**Keywords:** Agglomeration – Headquarters – Plants – Supply chain – Re-location – Monopolistic competition – Information technologies

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